



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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Governor

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June 23, 2000

CERTIFIED RETURN RECEIPT

P 074 978 559

Stephen E. Flechner, President and CEO
North Lily Mining Company
1800 Glenarm Place Suite 210
Denver, Colorado 80202

Re : Reevaluation and Escalation of Reclamation Surety Estimate, North Lily Mining Company (NLMC), Tintic Project, M/023/007, Juab County, Utah

Dear Mr. Flechner:

A recent staff review of this project file has shown that the reclamation surety estimate for the Tintic Project was *originally* calculated using 1989 cost figures. The original 1989 surety amount (\$122,000 - 1994 dollars) was modified and escalated in 1991 to approve an expansion to the project (\$158,900 - 1996 dollars). The surety estimate was last adjusted in 1994 by the Division to give credit for reclamation work performed on specific waste dumps that had been regraded and reseeded by NLMC (\$139,700 - 1999 dollars). North Lily chose not to reduce the balance of the certificate and it has continued to accrue interest. As of June 15, 2000, the balance in the account totaled \$205,344.64.

Standard Division practice and procedure requires a reevaluation and update of all reclamation surety estimates every five (5) years. Because the original 1989 reclamation unit cost figures have not been appropriately adjusted to reflect more current construction costs, we have reevaluated the 1989 cost estimate and adjusted the cost factors accordingly. After adjusting the unit costs to reflect year 1999 data, and applying the standard 5-year escalation factor, the new reclamation surety amount is \$210,100 (year 2005 dollars). Please see the attached revised surety cost estimate.

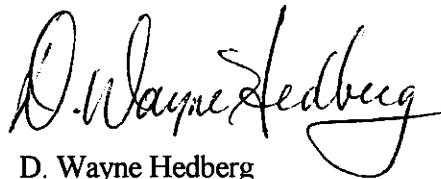
The present certificate account balance is not adequate to satisfy this new reclamation bonding requirement. Please notify us within 10 days of your receipt of this letter how you wish to resolve the difference. If you disagree with this assessment, you may file a written objection (within the same time period) requesting an informal conference before the Division Director, Lowell P. Braxton. Please

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Stephen E. Flechner
M/023/007
June 23, 2000

contact Vicki Bailey at (801) 538-5327 if you wish to schedule a time and date for an informal conference. Contact me or Doug Jensen at (801) 538-5286 and 538-5382), if you have other questions or concerns regarding this letter or the revised estimate. Again, thank you for your continued cooperation and efforts in working towards final closure of this mining facility.

Sincerely,

A handwritten signature in black ink, reading "D. Wayne Hedberg". The signature is fluid and cursive, with the first name "D." and last name "Hedberg" clearly legible.

D. Wayne Hedberg
Permit Supervisor
Minerals Reclamation Program

jb
Attachment: revised surety estimate
cc: Mary Ann Wright, DOGM
Doug Jensen, DOGM
o:\north lily\M23-07-surety.rev

RECLAMATION SURETY ESTIMATE

North Lily Mining Company

last revision

06/06/00

Tintic Project

filename M023-007.WB2

M/023/007

Juab County

Prepared by Utah State Division of Oil, Gas & Mining

-This estimate uses a D8 size dozer for most earthwork

Site acreage heap (16.6) + Building (1.0) + Topsoil areas (3.2) + Borrow (2.6) + Ponds (1.2) = 24.6

Note: actual unit costs may vary according to site conditions last unit cost update 08/25/99

-Amount of disturbed area which will receive reclamation treatments = 24.6 acres

-Estimated total disturbed area for this mine = 24.6 acres

Activity	Quantity	Units	\$/unit	\$	Note
Safety gates, signs, etc. (mtls & installation)	0	sum	200	0	(1)
Demolition of buildings & facilities	1	lump sum	5000	5,000	(2)
Debris & equipment removal - trucking	10	trips	48	480	(3)
Debris & equipment removal - dump fees	100	ton	55	5,500	(4)
Debris & equipment removal - loading trucks w/FE loads	16	hours	176	2,816	(5)
Demolition & debris removal - general labor	60	hours	15	900	(6)
Regrading facilities areas (1 ft depth)	1.0	acre	470	470	(7)
Hazardous Waste Disposal	1	lump sum	10000	10,000	
Regrading heap slopes	26,000	CY	0.47	12,220	(8)
Regrade Solution Ponds	12,000	CY	0.47	5,640	(9)
Ripping stockpile & compacted areas	5.8	acre	220	1,276	(9)
Ripping site - prior to seeding	18.8	acre	220	4,136	(9)
Ripping pit access roads	0.0	acre	220	0	(9)
Creating safety berms or barriers around highwalls	0	LF	0.15	0	(10)
Ripping access roads - dozer	0.0	acre	220	0	(9)
Regrading access roads - dozer	0.0	acre	470	0	(7)
Sidecast mtl replacement on steep roads- trackhoe	0	LF	0.85	0	(11)
Surface drainage restoration or construction	0	LF	0.15	0	(10)
Topsoil replacement - dozer	0	CY	0.47	0	(12)
Topsoil replacement - scraper	0	CY	1.05	0	(13)
Topsoil replacement - truck & FE loader	38000	CY	2.55	96,900	(14)
Mulching (2 ton/acre alfalfa)	0.0	acre	160	0	(00)
Fertilizing (100 lb/acre diammonium phosphate)	0.0	acre	90	0	(00)
Composted manure (10 ton/acre)	24.6	acre	300	7,380	(00)
Broadcast seeding	24.6	acre	170	4,182	(00)
Drill seeding (~13 lb/acre)	0.0	acre	150	0	(00)
Hydroseeding	0.0	acre	800	0	(00)
General site cleanup & trash removal	21.4	acre	50	1,070	(00)
Equipment mobilization	2	equip	1000	2,000	(00)
Reclamation Supervision	10	days	372	3,720	(15)
		Subtotal		163,690	
10% Contingency				16,369	
		Subtotal		\$180,059	
Escalate for 5 years at 3.13% per yr				29,999	
		Total		\$210,058	
		Rounded surety amount in yr 2005-\$		\$210,100	
		Average cost per disturbed acre =		\$8,541	

GENERIC RECLAMATION ESTIMATE**North Lily Mining Company**

last revision

06/22/00**Tintic Project**

filename M023-007.WB2

M/023/007**Juab County****Prepared by Utah State Division of Oil, Gas & Mining****last unit cost update****08/25/99****Note**

- (1) DOGM lump sum assumed
- (2) DOGM lump sum assumed
- (3) Means 1998, 020-620-5100, \$0.48/mile for >8CY truck; assumed 100 miles round trip
- (4) Means 1998, 020-612-0100, dump charges, typical urban city, tipping fees only, bldg construction mtl's
- (5) Rental Rate Blue Book 4/98, Cat 988B, 7CY, & Means 1998, Crew B-10U, loading trucks only
- (6) DOGM assumed wage for unskilled general labor
- (7) Means 1998 & Rental Rate Blue Book 4/98: Cat D8N, U, mtl 2550 lb/CY, 50 ft push, 1 ft depth
- (00) DOGM lump sum assumed
- (8) Means 1998 & Rental Rate Blue Book 4/98: Cat D8N, U, mtl 2550 lb/CY, 100 ft push
- (9) Means 1998 & Rental Rate Blue Book 4/98: Cat D8N, U, multi shank rippers, speed 1.0 mph
- (9) Means 1998 & Rental Rate Blue Book 4/98: Cat D8N, U, multi shank rippers, speed 1.0 mph
- (9) Means 1998 & Rental Rate Blue Book 4/98: Cat D8N, U, multi shank rippers, speed 1.0 mph
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- (9) Means 1998 & Rental Rate Blue Book 4/98: Cat D8N, U, multi shank rippers, speed 1.0 mph
- (10) Means 1998 & Rental Rate Blue Book 4/98: Cat D8N, U, mtl 2550 lb/CY, 50 ft push, avg vol 0.5CY/LF-berm assumed
- (9) Means 1998 & Rental Rate Blue Book 4/98: Cat D8N, U, multi shank rippers, speed 1.0 mph
- (7) Means 1998 & Rental Rate Blue Book 4/98: Cat D8N, U, mtl 2550 lb/CY, 50 ft push, 1 ft depth
- (11) Contractor's actual costs, 1991 at E/053/012, Cat 225 Excavator, 20 ft wide road
- (10) Means 1998 & Rental Rate Blue Book 4/98: Cat D8N, U, mtl 2550 lb/CY, 50 ft push, avg vol 0.5CY/LF-berm assumed
- (12) Means 1998 & Rental Rate Blue Book 4/98: Cat D8N, U, mtl 2550 lb/CY, 100 ft push
- (13) Means 1998 & Rental Rate Blue Book 4/98: Cat 627F P-P, mtl 2550 lb/CY, 2,000 ft haul one-way, grade +/- 4%,
- (14) Means 1998 022-266-2030: hauling excavated or borrow material, off highway hauler, 22 CY, 1/2 mile round trip
- (00) DOGM general estimate - mulching
- (00) DOGM general estimate - fertilizing
- (00) DOGM general estimate - manure
- (00) DOGM general estimate - broadcast seeding
- (00) DOGM general estimate - drill seeding
- (00) DOGM general estimate - hydroseeding
- (00) DOGM general estimate - site cleanup & trash removal
- (00) DOGM general estimate - equipment mobilization
- (15) Means 1998, 010-036-0180, project manager, minimum \$1,815/wk